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## Stakeholders' Satisfaction towards Financial Disclosure of the Listed Companies in Stock Exchange of Thailand

Nopnapa Jullobol<sup>a,\*</sup>, Srisamorn Pongput<sup>b</sup>, Malai Kamolsakulchai<sup>c</sup>,  
Natrachaya Akkharaphasirisakul<sup>d</sup>

<sup>a, b</sup> Faculty of Business Administration, Rajamangala University of Technology Rattanakosin, Nakornpathom, Thailand

<sup>c, d</sup> College of Innovation Management, Rajamangala University of Technology Rattanakosin, Nakornpathom, Thailand

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### Abstract

The study emphasizes on factors determining stakeholders' satisfaction towards financial disclosure of the listed companies in Stock Exchange of Thailand (SET). The factors include personal characteristics, media exposure, problem experienced from using financial information, investment **behaviour**, expectation, and attitude. A sample of 276 respondents representing stakeholders of the listed companies in SET is observed and analyzed by employing Linear Regression Model, Generalized Linear Models, and Ordered Logit Models. The results from Linear Regression Models and Ordered Logit Models indicated that level of media exposure, problem experienced, expectation and attitude have significant impacts on level of satisfaction towards financial disclosure of the listed companies in Stock Exchange of Thailand. The results also reveal that investment strategy of the respondents has significant impact on level of satisfaction. Respondents with fundamental based investment strategy are more likely to have lower level of satisfaction compared to technical based strategy.

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**Keywords** –Satisfaction towards financial disclosure, Generalized Linear Model (GLM), Ordered Logit Model.

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### 1. Introduction

Financial disclosure of the listed companies in Stock Exchange of Thailand was important for the past transparent administration. The financial disclosure benefits the stakeholders as a choice in making investment decisions. The principle of financial disclosure must be accurate, complete, clear, update and in accordance with the Securities and Exchange Commission Regulations. The Securities and Exchange Commission Regulations also require that the company must submit the financial disclosure reports which are the quarterly financial statements, the period financial statements, annual registration statement (Form 56-1) and annual report (Form 56-2).

If the incomplete financial disclosure is revealed to the public, the users will make wrong decisions which may cause damages. In addition, the insufficient financial disclosure will affect stakeholders from getting warning sign and financial failure of the company. Therefore, they cannot edit or change

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\* Corresponding author. Tel.: +662- 222-2814; fax: +662- 226-4879.

E-mail address: [nopnapa013@gmail.com](mailto:nopnapa013@gmail.com).

their decisions in time. Despite the disclosure requirements by the committee of the Securities and Exchange Commission, there are double standard problems of disclosure (Kadir et al., 2011). Thus, the investors wonder whether a lot of information disclosure can reflect the company's transparency.

The information disclosure in the companies registered in Stock Exchange is important to the stakeholders, so it is interesting to know how much they were satisfied with their companies and what factors affect the satisfaction about the financial disclosure. The purpose of this study is to study the factors affecting the attitudes and satisfaction of the stakeholders towards the disclosure of financial information of the listed companies in Stock Exchange of Thailand (SET).

## 2. Conceptual Framework

Fornell, Johnson, Anderson, Cha, & Bryant (1996) explained that the consumer satisfaction index that can be compared are latent variables which cannot be assessed and made a straight. The examination of diversity index need to be conducted by the researcher to help creating the satisfaction index that can be compared. The satisfaction is originated from 3 Satisfaction Antecedents including the Perceived Quality, Perceived Value which is appreciated by the consumer product and service, and the Market Expectation. According to Anderson, Fornell, & Lehmann (1994), it is found that these three factors have positive effect on customer satisfaction, product and service. Consumers with the high perceived quality in goods or services will be highly satisfied with those types of goods or services. Consumers with high perceived value will be highly satisfied with those goods or services.

According to Exit-voice Theory of Hirschman (1970), it is explained that the satisfaction with the products or services will cause two Consumer Satisfaction Index Consequences which are Customer Complaints and Customer Loyalty. Dissatisfied customers will make complaint against the goods or services very often, while satisfied customers will be highly have customer loyalty towards the products or services. Chan, Hui, Lo, Tse, Tso, & Wu (2003) have defined a framework research on Hong Kong Consumer Satisfaction Index (HKCSI) that the Consumer Characteristics and the Consumer expectations affect the performance and value of the goods or services. These four factors; individual, expectation, work and values, will affect the consumer satisfactions which will continuously affect consumer voice and loyalty.

The conceptual framework in this research begin with these four factors that have impacts on the attitude towards the disclosure and expectations for information disclosure of the listed companies, then, they will continue result in the satisfaction of the information disclosure of the listed companies. The satisfaction will result in customer loyalty. In addition, behavioral exposure will influence the attitude towards information disclosure. If the interested stakeholders have a habit of exposure on a regular basis and receive the good news about the listed companies, they will have a good attitude towards the information disclosure. This will result in a satisfaction of financial information disclosure on the listed companies. In addition, if the users have trouble towards the use of financial information of the listed companies, it will result in decreasing in satisfaction towards the information disclosure.

The above explanations can be applied as hypotheses of this study as:

- H<sub>1</sub>: Personal characteristics, media exposure, problems experienced, investment behaviour, and expectations affect the attitude towards the financial disclosure.
- H<sub>2</sub>: Personal characteristics, media exposure, problems experienced, investment behaviour, expectations, and attitudes affect the satisfaction towards the financial disclosure.

The variables used in this study consist of a personal characteristics (gender, age, occupation, education, area of study, and salary). The investment **behaviours** are classified by investment strategy and value **portfolio**, while the exposure assessments are by the frequency of media exposure. The problems experienced assessments are classified by the severity of the problems faced. Likert Scale is used to evaluate the expectations, attitudes and satisfaction towards the information disclosure of the listed companies. The loyalty is evaluated from the trend of investment in the stock market.

## 3. Methodology

### 3.1. Factor Influencing Attitude toward Financial Disclosure

Sample consists of 276 respondents observed by using self-reported questionnaire. Data is analyzed by employing multivariate statistical analysis using regression model.

$$\text{Attitude} = \beta_0 + \beta_1 \text{Gender} + \beta_2 \text{Age} + \beta_3 \text{Occupation} + \beta_4 \text{Education} + \beta_5 \text{Area\_Study} + \beta_6 \text{Salary} + \beta_7 \text{Strategy} + \beta_8 \text{Value\_Port} + \beta_9 \text{MediaExposure} + \beta_{10} \text{Problem} + \beta_{11} \text{Expectation} + u_1 \quad (1)$$

where: *Attitude* is dependent variable, which determines attitude toward financial disclosure of listed company in the stock market. It has value range between 0 and 1 which means 100% positive attitude. *Gender* is dummy variable for gender equal to 1 for female or 0 for male. *Age* is dummy variable for age equal to 1 for age older than 40 years old or 0 for 40 years old or younger. *Occupation* is dummy variable for occupation of the respondent equal to 1 for government agent or 0 otherwise. *Education* is dummy variable for educational level equals to 1 for lower than bachelor degree graduated or 0 otherwise. *Area Study* is dummy variable for area of study of respondent equal to 1 for finance, economics, accounting, science, or engineer area or 0 for other areas. *Salary* is dummy variable for income level equal to 1 for income higher than 50,000 baht per month or 0 otherwise. *Strategy* is dummy variable for investment strategy of respondent equal to 1 for fundamental based strategy or 0 for technical based strategy. *Value Port* is dummy variable for value of the current portfolio of the respondent equal to 1 for value more than 1 million Baht or 0 otherwise. *Media Exposure* is degree of media exposure of respondent value range from 0 to 1. *Problem* is degree of seriousness of the problem that respondent experienced in using financial information disclosure of listed company in SET value range from 0 to 1. *Expectation* is level of expectation on financial information disclosure of the respondent value range from 0 to 1.  $u_1$  is disturbance term and assumed to be normally distributed with zero mean and constant variance.

Since attitude toward financial disclosure of listed company in the stock market is measured as percentage range from 0 to 1, the dependent variables are variables with the upper bound equal to 1 and lower bound equal to 0. Then, the linear regression model might not be an appropriated model. Therefore, this study also employs Generalized Linear Model (GLM) assuming Logit.

### 3.2. Factors Determining Level of Satisfaction on Financial Disclosure

Level of satisfaction on financial disclosure of listed company in the stock market of stakeholder can be analyzed by using linear regression model, which can be stated as follows:

$$Y = \beta_0 + \beta_1 \text{Gender} + \beta_2 \text{Age} + \beta_3 \text{Occupation} + \beta_4 \text{Education} + \beta_5 \text{Area\_Study} + \beta_6 \text{Salary} + \beta_7 \text{Strategy} + \beta_8 \text{Value\_Port} + \beta_9 \text{MediaExposure} + \beta_{10} \text{Problem} + \beta_{11} \text{Expectation} + \beta_{12} \text{Attitude} + u_2 \quad (2)$$

where: Dependent variable ( $Y$ ) is level of satisfaction on financial disclosure of listed company in the stock market, which equals to 1 for very dissatisfaction, 2 for dissatisfaction, 3 for neutral, 4 for satisfaction, and 5 for very satisfaction.  $u_2$  is disturbance term and assumed to be normally distributed with zero mean and constant variance.

However, since the dependent variable, level of satisfaction, is ordinal level of measurement, the linear regression model might be inappropriate. Therefore, this research employs ordered logit model in analyzing level of satisfaction on financial disclosure of the listed company in the stock market.

## 4. Empirical Result

### 4.1. Analysis of Attitude toward Financial Disclosure

The estimated results of attitude toward information disclosure are presented in Table 1. The results reveal that the past experienced problems of investor and their expectation are only two factors that have significant impacts while personal characteristics and investment behaviour have insignificant influence on the attitudes.

### 4.2. Analysis Satisfaction on Financial Disclosure

Table 2 illustrates multivariate analysis of satisfaction towards information disclosure of the listed companies in stock exchange of Thailand, using Linear regression models and Ordered Logit models. The results from both models indicate that all personal characteristic factors have insignificant impact on satisfaction, while media exposure, problem experienced in using financial information, expectation and attitude toward financial information disclosure have significant impact on satisfaction. This implies that stakeholders in the financial statements will be satisfied only if stakeholders get the information accurate enough to suffer from problems including financial information. The financial disclose information meets the expectations of the users. This will enable stakeholders in the financial

statements to have a positive attitude and have the satisfaction of the disclosure in the financial statements of listed companies on the Stock Exchange of Thailand.

The results obtained from the Ordered Logit models showed that there are significant relationship between users' satisfaction on financial disclosure and their investment strategy. However, we found non-significant from the linear models. It could be implied that fundamental based investors were more likely to have lower level of satisfaction on information disclosure than the technical based investor.

**Table1** Estimated Results of Attitude toward Information Disclosure using Linear Model and Generalized Linear Model (GLM) assume Logistic Function

	Linear Models		GLM Models	
	(1)	(2)	(3)	(4)
Gender	-0.0117		-0.0333	
Age	0.0340		0.1227	
Occupation	0.0059		0.0376	
Education	0.0119		0.1693	
Area_Study	0.0086		0.0418	
Salary	-0.0261		-0.0981	
Strategy	0.0133		0.0323	
Value_Port	-0.0378		-0.2209	
MediaExposure	0.0571		0.3045	
Problem	-0.2009 ***	-0.1834 ***	-0.8430 **	-0.7880 **
Expectation	0.4324 ***	0.4413 ***	2.1569 ***	2.1746 ***
(Constant)	0.4072 ***	0.4281 ***	-0.6397 **	-0.4997 **
Log-likelihood	98.566	98.972	100.50	100.69
F-test	6.4723 ***	36.650 ***		
Chi2			67.652 ***	70.600 ***
R <sup>2</sup>	0.2169	0.2117		

Note: \* means statistical significance at 0.1 \*\* means statistical significance at 0.05 \*\*\* means statistical significance at 0.01. Model (1) and (2) are estimated results of linear regression model for attitude toward financial disclosure of listed company in SET with all explanatory variables and with only significant explanatory variables. Model (3) and (4) are estimated results of Generalized Linear Model (GLM) assume logistic function for attitude toward financial disclosure of listed company in SET with all explanatory variables and with only significant explanatory variables.

**Table2** Estimated Results of Level of Satisfaction using Linear and Order Logit Models

	Linear Models		Order Logit Models	
	(1)	(2)	(3)	(4)
Gender	0.090		0.191	
Age	0.205		0.475	
Occupation	0.135		0.257	
Education	0.178		0.445	
Area_Study	-0.024		-0.053	
Salary	-0.037		-0.125	
Strategy	-0.155		-0.454*	-0.448*
Value_Port	-0.161		-0.522	
MediaExposure	0.832 ***	0.747 ***	2.298***	2.143***
Problem	-0.905 ***	-0.996 ***	-2.154**	-2.035**
Expectation	1.032 ***	1.090 ***	2.435***	2.146***
Attitude	1.337 ***	1.363 ***	4.055***	4.243***
(Constant)	2.014 ***	2.040 ***		
Threshold 1			-0.537	-0.833
Threshold 2			1.035	0.736
Threshold 3			4.349***	4.048***
Threshold 4			6.378***	6.040***
R Square	0.304	0.283		
F-test	9.316 ***	25.999 ***		
Chi-Square			102.588***	97.807***

Note: \* means statistical significance at 0.1 \*\* means statistical significance at 0.05 \*\*\* means statistical significance at 0.01. Model (1) and (2) are estimated results of linear regression model for level of satisfaction on financial disclosure of listed company in SET with all explanatory variables and with only significant explanatory variables. Model (3) and (4) are estimated results of order logit model for level of satisfaction on financial disclosure of listed company in SET with all explanatory variables and with only significant explanatory variables.

## 5. Discussion

Research findings support the first hypothesis of the study. The results show that personal characteristics (gender, age, occupation, area of study and salary), investment behaviour (investment

strategy and value portfolio) and media exposure do not have any influence on attitude towards financial disclosure. This finding contrasts with Rianthong (2004) who revealed that gender, age, education and salary have a positive attitude on the interim financial statements. Media exposure has no impact on attitude. This finding contrasts with Huang Hui (2009) who found that financial disclosure had a strong effect on people's attitude, intention and behaviour. Another significant finding is the past experienced of investor facing the information disclosure problems. This finding is consistent with the fact that if the stakeholders are experiencing with problems in using the information in the financial statements, they will have negative attitude towards the financial disclosure. If the stakeholders have benefits, they have a positive attitude towards financial disclosure.

According to the findings, the second hypothesis is also supported. However, the results contrast with Chan et. al. (2003) who revealed that positive relationship would effect the consumer satisfaction. Elliott & Serna (2005), Fiorio, Florio, Salini, & Ferrari (2007) and Fiorio & Florio (2009, 2010) also found that degrees of individual satisfaction depended on perceived volume and characteristic of consumers. Media exposure has positive impact on level of satisfaction. This result is consistent with Hunt & Brent (1993) that attitude and value have the factors influencing the choices of the media exposure. The past problems that investors experienced and the expectation were significant. According to Fornell & Wernerfelt (1987), Fornell (1992), satisfaction is the result of development of three principal causes of consumer satisfaction index antecedents, which consist of perceived quality, perceived value of and market expectation. In addition, this is consistent with Chan et. al. (2003) who found that consumer characteristics and the consumer expectations affect performance and value of the goods or service. These four factors; individual, expectation, work and value, have significant impacts on the consumer satisfactions which will continuously affect consumer voice and loyalty.

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